

STATE OF WASHINGTON



P.O. BOX 40255
OLYMPIA, WA 98504-0255
Phone: (360) 725-7000

OFFICE OF
INSURANCE COMMISSIONER

Technical Advisory - Technical Assistance Advisory T 2000-04

July 25, 2000

Attn: All Health Carriers

Subject: Minimum Benefit for Chemical
Dependency

WAC 284-53-010 prescribes standards for coverage of chemical dependency in any policy issued or renewed on or after January 1, 2000. Under subsection (4) of this regulation, the initial minimum benefit is \$10,000. This amount must be adjusted for whenever a new or revised form is filed with the Commissioner. The Commissioner's position is that the adjustment should be made annually; the new minimum benefit amount would then apply to all new or revised contracts effective in the following calendar year.

The purpose of this technical assistance advisory is to: (1) advise you how to calculate the inflation adjustment each year; and (2) provide a sample calculation of the adjustment applicable to new or revised contracts with effective dates from January 1, 2001, through December 31, 2001.

To ensure that you have enough lead time to develop and file your contracts, the adjustment will use Consumer Price Index (CPI) data through June. This information is generally available on the Bureau of Labor Statistics (BLS) website (<http://www.bls.gov/cpihome.htm>) in mid-July. The CPI for June 1999 will be used as the base. **To calculate the adjustment factor for any coming year, simply divide the CPI for June of the current year by the CPI for June 1999.** The minimum benefit is then \$10,000 times the adjustment factor.

The specific CPI series to be used is the medical care CPI, not seasonally adjusted, for all urban consumers in the Seattle-Tacoma-Bremerton area. The series ID is CUURA423SAM. The data can be obtained easily using the Selective Access option in the BLS website.

For new and revised contracts effective in 2001 the inflation adjustment is calculated as follows:

CPI for June 1999 = 239.6

CPI for June 2000 = 247.4

Adjustment factor = $247.4/239.6 = 1.0326$

The minimum chemical dependency benefit in new and revised contracts effective in 2001 must be at least \$10,000 x 1.0326, or **\$10,326**.

For the future you should plan on calculating the adjustment on your own by the method outlined above. Always divide the CPI for June of the current year by the CPI for June 1999. We do not plan to issue a technical assistance advisory on this subject annually.

If you have any questions about this technical assistance advisory, please contact our lead health actuary, Lichiou Lee, at LichiouL@oic.wa.gov or (360) 586-5313.